

Hooverites tout boost in GNP numbers

by Chris White

Those insistent on reliving the avoidable mistakes of the ill-fated Hoover administration found their wishful illusions strengthened on Tuesday, Nov. 24, when the Department of Commerce issued its revised Gross National Product figures for the third quarter of the year.

The revised figures show, according to the department, that the economy was supposedly growing at an annual 4.1%, over the 12-week period immediately prior to Oct. 1. The revision postulates an extra 0.3% growth beyond the original GNP estimates for the quarter when first released.

The release of the numbers was evidently welcomed as if some kind of early Thanksgiving dinner by the pundits. The *New York Times* quoted analysts to the effect that the economy's "momentum was very strong in early fall . . . and will thus be able to withstand the shock of the stock market collapse that began in mid-October." One among these analysts, an Edward Guay, chief economist at the Cigna Corporation, actually suggested that the third-quarter figures would be revised upward again, to 4.5%. The economy "was in great shape going into the crash," he told the *Times*. Michael Penzer, senior economist at the Bank of America, echoed those views in the *Wall Street Journal*, "The economy had a lot of strength going into the crash. That's going to help us avoid a recession."

Actually, the components of the increase are ludicrous. We are supposed to believe that corporate profits, before and after taxes, increased 5% and 5.2%, that corporate profits on current production rose 5.7%. Then, that government purchases of agricultural output, for Commodity Credit Corporation stockpiles, constitute an increase in the national wealth. Further, that consumer spending buoyed another increase in automobile sales over the quarter. And that government sales,

for export, from the CCC stockpiles, helped offset the trade deficit, and contributed to national wealth formation.

Without the finagling around with the government's agricultural commodity stockpile, whether through "inventory management," or through the transfer of such stockpiles into the hands of the Russian military for their war reserves, otherwise known as trade in farm products, it is doubtful that the figures could have been revised upward as they were. Thus, transactions by bookkeepers, in different government departments, accounting for the movement of certain products, help keep the nation growing, at a pace which will, on paper at any rate, permit the administration to claim that its projected growth rate for the year as a whole, 3.2%, has been met. For, whether the inventory is held by the farmer or by the government doesn't really matter. As previously produced wealth, inventory accumulations should still only be counted once.

However, it is noteworthy that the week before the Commerce Department announced the GNP figures, the Department of Agriculture was making a big ballyhoo out of the fact that the government's policies of paying farmers not to produce, in order to reduce stockpiles of so-called surplus foods, was finally working out. The department was claiming that especially stockpiles of dairy products, given free to urban unemployed and welfare families around the country, were nearly run down. Perhaps the Agriculture Department's inventories were shifted into the Commerce Department, for safekeeping.

Automobile sales, for example

Beyond the agricultural commodities, it is interesting to contrast what the Commerce Department says about auto-

mobile sales, with the sales figures which the industry puts out. The industry figures, which appeared on the day the GNP numbers were issued, are consistently down. For the first 10 days of November, sales of U.S.-built cars and light trucks were down 2.1% from the comparable period in 1986. Light-truck sales were actually up 19%, while auto sales were down 12%. That's been the pattern over the summer. Similarly, reports of inventory reductions in the auto industry, which contribute to GNP growth, as a by-product of increased sales, are also laughable. Ask your local auto dealer. In the Washington, D.C. area, dealerships are advertising with the "come-on," "The stock market crash knocked the bottom out of automobile sales. . . ."

Corporate profits, before, during, and after taxation, actually don't exist, except in the imagination of bookkeepers. The economy is functioning at below breakeven, not replacing what is consumed in the process of production. Thus, there is in reality no net profit for the economy as a whole, and therefore no profitability for particular corporations. This is provably the case, by analyzing the flow of production and consumption into market-baskets of final producers' and consumers' goods, measured against the standards of 1967.

Yet, it is precisely the supposed growth in corporate profitability which the pundits assert to be the best indicator that, despite the stock market crash, "the fundamentals," as Herbert Hoover once said, and his followers of 60 years later still do, "remain strong."

"That's near boom growth, it definitely reinforces our belief that the economy's underlying strength is good," Brian Wesbury, an economist with Harris Trust Bank in Chicago, told the *Washington Times*. "It does suggest that the chance of getting through this without a major recession is good," Ben Laden, a Washington consultant, told the same paper.

Cooking numbers

Beyond this kind of hype, it is quite apparent that there really isn't too much truth in the numbers which are supposed to prove the continuing strength of economic growth. In fact, the reality they purport to represent is actually completely fictitious. Such efforts are properly put down to the account of the George Bush for President in 1988 campaign. Tax dollars are spent for the writing of such fiction, as a kind of campaign public relations expense, as part of the psychological warfare effort to try and delay the looming collapse until after the presidential elections in 1988.

While the world monetary and economic system is on the brink of collapse, policy in Washington remains "60 months of uninterrupted economic growth." The numbers are cooked up to assist the effort of defending the policy. So ways are found to make the GNP numbers cohere with that reality.

Even if that were not the practice underlying and informing the government's reporting practice, the GNP numbers would still be a fatally misleading indicator of what's going on. GNP is supposed to be the net of all sales transactions

occurring in the economy. The aggregated such net is supposed to be a measure of the new wealth produced. The approach never touches on the production of actual wealth through technologically enhanced productivity of labor in the form of physical goods produced. However, that notwithstanding, the numbers are actually hoked up.

The next quarter, ending Dec. 31, is going to be a real challenge for those who decide how such things are done. It is not just that about \$1.5 trillion was wiped off the equity markets between Aug. 25 and Oct. 19, a loss, which funnily enough does not figure at all in the third-quarter numbers, even though one-third of the total was lost during the relevant quarter. But also, there are the Christmas sales.

A columnist recently wrote that the annual Christmas buying spree, as "the backbone of the capitalist system," is also the backbone of Western civilization. He was counting on the "momentum" to help keep the system going into the New Year. Supposedly, the period between Thanksgiving and Christmas is to account for fully one-third of consumer spending in retail stores for the whole year. During the month, two-thirds of households usually buy something.

No doubt, there are already people in the relevant government offices figuring out exactly how to cook the books again, to turn the expected collapse of retail sales in this pre-Christmas period, into further evidence of the underlying strength of the economy, for early next year.

Bringing the crash about

In the final analysis, it won't really matter. The agencies that produce such hokum, and the political masters who tell them what to do, will discredit themselves, as the collapse in progress develops. They can fool themselves with such illusions for a time. But the manufacture of such illusions does not, and will not make the real world go away. The more they engage in such fiction, as of now, the bigger will be their come-uppance, when that reality hits.

But this continued fakery, and the promotion of fakery, on behalf of policies which are rapidly being exposed as bankrupt and incompetent, will be one of the political ingredients which helps bring that crash about. It is known around the world that the U.S. government is out of the real world when it comes to matters of economic policy; and that the U.S. government refuses to avail itself of the powers it does have to deal with the crisis, preferring to insist, "Everything is really all right." Soon it will be the case that the lies and distortions circulated to substantiate that ritualized incantation will not be accepted as tolerable by those who are supposed to do so.

That time may come before the Christmas sales season is over, and it may come afterward. It will almost certainly come by the spring of next year. Then, changed policies are going to be needed, not faked-up statistics. Then, the U.S. government is going to have to use the powers it has, or, the U.S. government will not much longer exist.